

(916) 445-4588

September 24, 1982

Dear Mr. I

This is in response to your September 17, 1982, letter in which you request an opinion as to whether the following transaction results in a change in ownership:

A limited partnership with general partners A, B, and C owns 10%, 15%, and 22.5%, respectively, and limited partners D and E own 40% and 12.5%, respectively. The proposed transaction contemplates C buying out A's interest, and B becoming a limited partner, as a result of which C's general partnership goes from a minority (22.5/47.5) to the entire general partnership interest. No person obtains a majority of the outstanding partnership interest.

To constitute a change in ownership under Section 64(c), a single person must obtain a majority interest in the partnership. In your case no one person has a majority interest. While it can be argued that one should look only to the holdings of the general partners' interest in determining whether one person has obtained majority interest in the partnership, this concept has not been, as of yet, accepted by the Legislature. Although this limiting language was amended into AB 152 in 1981, it was deleted just before the bill was passed by the Legislature. (Copy enclosed.) Only time will tell whether the rationale of only looking to the general partners' interest will become law.

P.B. Corp

Mr.

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Summarily, it is our opinion that the above described transaction does not constitute a change in ownership.

Very truly yours,

Glenn L. Rigby
Assistant Chief Counsel

GLR:fr
Enclosure

cc: Mr. Byron D. Athan
Deputy County Counsel
Santa Clara County

Mr. James F. May
Senior Deputy County Counsel
Alameda County

bc: Mr. Gordon P. Adelman
Mr. Robert H. Gustafson
Mr. Verne Walton
Legal Section

220.0501 **Partnership.** "A" owns 50 percent of Partnership one. Partnership two owns the other 50 percent. Partnership two is, in turn, owned 25 percent by Partnership three and 75 percent by unrelated third parties. If "A" obtains an 8.5 percent interest in Partnership two from Partnership three, he/she would not gain control of Partnership one, so no change in ownership would occur. For such a change to occur, "A" would have to obtain an ownership interest in Partnership one directly from Partnership two or indirectly by acquiring a more than 50 percent interest in the capital and profits of Partnership two. C 5/3/89; C 1/22/99. (Am. 2000-1).